

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 7182

LIMDIS

E.O. 11652 GDS

TAGS: ETRD PFOR UR

SUBJ: SOVIET PARTICIPATION IN INTERNATIONAL ECONOMIC ARRANGEMENTS

1. SUMMARY. U.S. GOVERNMENT EFFORTS TO STIMULATE AWARE-
NESS OF THE FACT OF INTERNATIONAL ECONOMIC INTERDEPENDENCE
AND PARTICULARLY TO FOSTER MULTILATERAL COOPERATION IN
FOOD AND ENERGY HAVE THUS FAR MET A BLAND, APPARENETLY
INTERESTED BUT PASSIVE RESPONSE FROM THE SOVIET UNION.
THIS WATCHFUL, DETACHED ATTITUDE APPEARS LIKELY TO CONTINUE
PENDING THE EMERGENCE OF A CLEARER PERCEPTION OF PROSPEC-
TIVE SOVIET BENEFITS FROM PARTICIPATION IN SUCH ARRANGEMENTS.
THUS FAR THE SOVIET HAVE SHOWN A MORE ACTIVE INTEREST IN
INTERNATIONAL TRADE, MONETARY, AND FINANCIAL INSTITUTIONS
THAN IN ENERGY OR FOOD ORGANIZATIONS. IN TERMS OF U.S.
INTERESTS, A SOVIET ROL IN ENERGY BODIES WOULD PROBABLY
BE DISRUPTIVE, IN FOOD IT COULD BE BENEFICIAL AND IN
FINANCIAL INSTITUTIONS UNCERTAIN. END SUMMARY.

2. SOVIET IMPERATIVES IN FORMULATING POLICY ON INTER-
NATIONAL ECONOMIC COOPERATION AS ON VARIOUS OTHER MULTI-
LATERAL ISSUES MUST CERTAINLY INCLUDE BUILDING THE USSR'S
IMAGE AS A RESPONSIBLE PARTICIPANT IN INTERNATIONAL
ECONOMIC COOPERATION PROJECTS, AND IF POSSIBLE AS A SPOKESMAN
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DEFENDING THE INTERESTS OF DEVELOPING COUNTRIES WHILE CARE-

FULLY PRESERVING THE EXISTING ATMOSPHERE OF RELAXED TENSIONS WITH INDUSTRIALIZED COUNTRIES. THESE GOALS ARE OFTEN DIFFICULT TO RECONCILE, AND MOSCOW'S CAUTIOUS APPROACH TO WORLD ECONOMIC BODIES REFLECTS UNCERTAINTY ABOUT THE ADVANTAGES AND DRAWBACKS OF MORE ACTIVE PARTICIPATION.

3. THE SOVIETS SEE THEMSELVES AS ESSENTIALLY AUTONOMOUS IN ENERGY AND CAPABLE OF AUTONOMY IN FOOD, AND THUS, FROM THE STANDPOINT OF THE USSR'S SELFISH INTERESTS, THEY PERCEIVE LITTLE URGENCY IN EITHER OF THESE QUESTIONS. BUT THEY CAN SEE THE INCREASE IN WORLD CONCERN ON BOTH MATTERS AND, AS A WOULD-BE ECONOMIC SUPERPOWER, THEY ASSUME THAT THEY HAVE THE RIGHT TO BE INVOLVED.

4. BECAUSE INTERNATIONAL FOOD AND ENERGY PROBLEMS APPEAR IN RUSSIAN EYES TO HAVE ONLY AN INDIRECT BEARING ON THE INTERNAL SOVIET ECONOMY, THE SOVIETS WILL PROBABLY LOOK ON MULTILATERAL CONFERENCES CONCERNING THESE COMMODITIES AS LEARNING EXPERIENCES AND AS OPPORTUNITIES TO PURSUE SOVIET POLITICAL GOALS WHICH ARE NOT NECESSARILY RELATED TO THE PURPOSES OF SUCH CONFERENCES.

5. ASSUMING AS A PRIMARY U.S. GOAL IN SOLICITING SOVIET PARTICIPATION IN INTERNATIONAL ECONOMIC MATTERS THE ENCOURAGEMENT OF RESPONSIBLE SOVIET BEHAVIOUR IN THE INTERNATIONAL ARENA, IT WOULD APPEAR--AS IMPLIED ABOVE--THAT ENERGY IS NOT THE MOST PROPITIOUS FIELD IN WHICH TO SEEK SIGNIFICANT COLLABORATION BETWEEN THE USSR AND WESTERN NATIONS. IN THIS AREA, SOVIET IDEOLOGICAL AND ECONOMIC GOALS WILL OFTEN PROVE ESSENTIALLY INCOMPATIBLE WITH RESULTS WHICH THE U.S. WOULD WELCOME, AND IT CAN BE EXPECTED THAT SOVIET PARTICIPATION IN NEGOTIATIONS ON THIS ISSUE COULD EMPHASIZE PROPAGANDIZING AND FOOT-DRAGGING AND OCCASIONALLY GENERATE OPPOSITION IF NOT HOSTILITY TO WESTERN-COORDINATED EFFORTS.

6. THE SOVIET SHOWED OBVIOUS CURIOSITY TO LEARN EVERYTHING POSSIBLE ABOUT AMERICAN PROPOSALS AND CONTEMPLATED U.S. INITIATIVES TOWARD INTEGRATED MULTINATIONAL EFFORTS AT COOPERATION, AND THEY CLEARLY WELCOMED UNDER SECRETARY

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ROBINSON'S RECENT VISIT AS AN OPPORTUNITY TO ACQUIRE INFORMATION ABOUT THE RECENT PREPARATORY MEETING FOR THE ENERGY CONFERENCE. THEY HAVE CAREFULLY PRESERVED A NEUTRAL POSTURE HOWEVER, REPEATING IN A STUDIOUSLY ACADEMIC MANNER TIME-HONORED AND BLAND POLICY PRONOUNCEMENTS AND POINTING OUT THAT THE SOVIET EFFORT TO INDUCE U.S. PARTICIPATION IN SIBERIAN ENERGY (I.E., NORTH STAR AND YAKUTSK PROJECTS) IS IN HARMONY WITH U.S. APPROACHES TO THE BROADER ENERGY

PROBLEMS WHICH THE U.S. SEEKS TO WORK WITH OTHER NATIONS TO SOLVE.

7. GIVEN UNCERTAINTY ABOUT THE CONSEQUENCES OF WIDER COLLABORATION ON ENERGY QUESTIONS, EXPECIALLY ON THE POLITICAL PLANE, THEIR GUARDED AND VAGUE RESPONSE AT THIS TIME IS TO BE EXPECTED. IT REPRESENTS STANDARD SOVIET OPERATING PROCEDURE IN RESPECT TO CAUSES TOWARD WHICH THEIR POSITION HAS NOT YET BEEN ESTABLISHED.

8. THE USSR NUMBERS ITSELF AMONG THE ENERGY PRODUCER NATIONS. (WHETHER THIS IS ACTUALLY THE CASE, OR HOW LONG IT WILL REMAIN SO, IS NOT RELEVANT.) THUS, THE SOVIET UNION MUST VIEW THE CREATION OF THE IEA AS UNFORTUNATE, SINCE CONSUMER SOLIDARITY WILL NECESSARILY COMPLICATE REALIZATION OF THE SOVIETS' INTEREST TO MAXIMIZE THE ECONOMIC ADVANTAGES THE USSR ENVISIONS FOR ITSELF AS A POSSIBLE LONG-TERM ENERGY EXPORTER TO WESTERN NATIONS. THE USSR HAS HINTED THAT IT MIGHT BE INTERESTED IN PARTICIPATION IN A GENERAL PRODUCER-CONSUMER CONFERENCE (SHOULD THIS MEETING EVENTUALLY TAKE PLACE), BUT THERE SHOULD BE NO DOUBT THAT IN SUCH A FORUM THE U.S. AND USSR WOULD FIND LITTLE COMMON GROUND. AN ADDED COMPLICATION ON ENERGY IS MOSCOW'S POLITICAL SUPPORT FOR THE OPEC MEMBERS, PARTICULARLY THE MORE MILITANT PRODUCER COUNTRIES. THUS, ON ENERGY QUESTIONS, THE ABSENCE OF ECONOMIC NEED AND THE PRESENCE OF POLITICAL ADVANTAGES WILL PROBABLY COMBINE TO PRODUCE A SOVIET POSITION SHARPLY AT VARIANCE WITH OURS.

9. REGARDING THE FOOD ISSUE, BASIC SOVIET INTERESTS ARE MORE AMBIVALENT. SOVIET FOOD PRODUCTION IS SUBJECT TO WIDE FLUCTUATIONS SO IT IS LIKELY THAT MOSCOW SEES ITSELF CONFIDENTIAL

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AS BOTH A POTENTIAL CONTRIBUTOR AND AS A POTENTIAL RECIPIENT OF A SCHEME FOR WORLD GRAN RESERVES. IN SUCH A SCHEME THERE ARE BOTH ECONOMIC AND POLITICAL ADVANAGES TO MOSCOW. ECONOMICALLY THE SOVIET COULD EXPECT ASSURED SUPPLIES AT STABLE PRICES; POLITICALLY THEY COULD TAKE PARTIAL CREDIT FOR SUPPLYING NEEDY COUNTRIES (E.G., INDIA AND BANGLADESH) WITH WHICH THEY SEEK CLOSER POLITICAL RELATIONS. FURTHERMORE, THEY MUST COUNT THE COST OF NOT PARTICIPATING, NAMELY THAT THEIR ACCESS TO SOURCES OF SUPPLY MIGHT BE LIMITED BY

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ACTION EUR-08

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C O N F I D E N T I A L SECTION 2 OF 2 MOSCOW 7182

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A SYSTEM OF PREFERENCES FOR PARTICIPANTS. THEIR FAILURE
THUS FAR TO BECOME MORE ACTIVE STEMS, WE BELIEVE, FROM
THEIR UNCERTAINTY ABOUT THE MECHANICS OF SUCH A SCHEME AND
FROM THEIR CONCERN ABOUT THE COSTS AND COMMITMENTS THEIR
PARTICIPATION WOULD ENTAIL. THE SOVIET HAVE SHOWN A KEEN
INTEREST AND HAVE ASKED NUMEROUS DETAILED QUESTIONS ABOUT
A GRAIN RESERVES SCHEME, ESPECIALLY IN THE WEEKS LEADING UP
TO THE LONDON MEETING IN FEBRUARY AND DURING AMBASSADOR
CLYDE FERGUSON'S VISIT IN APRIL. IN SUM, IT SEEMS CLEAR
THAT IF THEY BELIEVED ACHIEVEMENT OF ANY EFFECTIVE GLOBBAL
FOOD BANK TO BE IMMINENT, THE SOVIETS, FEARING THAT CREATION
OF SUCH AN INSTITUTION WITHOUT THEIR PARTICIPATION MIGHT
EXCLUDE THE USSR FROM ACCESS TO AN IMPORTANT SHARE OF WORLD
FOOD RESERVES, WOULD QUICKLY SEEK TO ENROLL THEMSELVES
AMONG THE ORGANIZERS.

10. WHILE THEIR JUDGMENTS ABOUT THE USSR'S NATIONAL INTEREST
MAY LIMIT AN EFFECTIVE SOVIET CONTRIBUTION TO THE SOLUTION
OF WORLD FOOD AND ENERGY PROBLEMS, THE SOVIETS HAVE SHOWN
GREATER INTEREST IN INTERNATIONAL FINANCIAL AND TRADE
MECHANISMS: (1) GATT OR AT LEAST MTV; (2) THE WORLD
MONETARY SYSTEM; AND (3) JOINT FINANCING OF DEVELOPMENT
PROJECTS UNDER INTERNATIONAL AUSPICES.

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1. REGARDING THE FIRST OF THESE--GATT OR MTN--THE SOVIETS APPEAR TO BE CURIOUS ABOUT THE POSSIBILITIES FOR THEM TO TAKE PART IN THE MULTILATERAL TRADE NEGOTIATIONS. THEY HAVE A SELFISH STIMULUS FOR DOING SO (POTENTIAL REDUCTIONS IN FOREIGN TARIFFS AND OTHER TRADE BARRIERS NOW IMPEDING SOVIET EXPORTS). MOREOVER, THE COMPLEXITY OF THE ISSUES WHICH ARISE IN THIS CONTEXT MAKES IT RELATIVELY DIFFICULT TO BRING PURELY POLITICAL AND/OR IDEOLOGICAL FACTORS INTO PLAY. FURTHER, AT THE MTN OR THROUGH MEMBERSHIP IN GATT THE OPPORTUNITY FOR THE SOVIET UNION TO ENGAGE IN ITS FAVORITE GAME OF "CLIENTISM" IS SOMEWHAT MORE LIMITED.

12. IN A HIGHLY TENTATIVE FASHION, THE SOVIETS HAVE FOR SOME TIME BEEN CONTEMPLATING THE POSSIBILITY OF MEMBERSHIP IN AT LEAST THREE INTERNATIONAL FINANCIAL INSTITUTIONS: THE INTERNATIONAL MONETARY FUND, THE WORLD BANK AND THE BANK FOR INTERNATIONAL SETTLEMENTS. BEYOND THE EXPRESSIONS OF INTEREST AND OBLIQUE HINTS THAT THE USSR WOULD WELCOME INVITATIONS FOR CLOSER ASSOCIATION WITH THESE BODIES, THE USSR IS BELIEVED TO HAVE POLICY OPTIONS PREPARED AND READY FOR EVALUATION WHENEVER THE TIME SEEMS RIPE. ALSO, THE STRONG SOVIET INTEREST IN SECURING INTERNATIONAL RECOGNITION FOR THE COUNCIL OF MUTUAL ECONOMIC ASSISTANCE (CEMA) AS AN EASTERN EUROPEAN COUNTERPART FOR THE COMMON MARKET MAY CAUSE THE USSR TO FOSTER STRONGER TIES BETWEEN THE CEMA BANKS AND THE INTERNATIONAL BANKING SYSTEM THROUGH SOME FORM OF ASSOCIATION BETWEEN CEMA AND THE IMF, FOR EXAMPLE.

13. TO THE WEST, THE BENEFITS OF FULL SOVIET PARTICIPATION IN THE IMF, WORLD BANK AND BIS ARE EQUIVOCAL AT BEST. AGAINST SOMEWHAT HYPOTHETICAL ADVANTAGES TO BE DERIVED FROM FURTHER INTERTWINING OF THE USSR'S ECONOMY WITH THE REST OF THE WORLD, INCLUDING THE BUILDING OF DISINNES#FOR UNDERMINING OTHER CURRENCIES AND A GREATER SOVIET STAKE IN GENERAL FINANCIAL STABILITY, MUST BE WEIGHED A GREATLY ENHANCED SOVIE CAPACITY FOR DISRUPTING OPERATIONS OF THESE I TO#AT PRESENT AND, EVEN MORE IMPOR- TANTLY, IN THE FUTURE. IT DOES NOT SEEM DESIRABLE FOR THE U.S. TO MAKE ANY MOVE WHICH MAY BE CONSTRUED AS OPENING THE DOORS OF INTERNATIONAL FINANCIAL BODIES TO CONFIDENTIAL

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THE SOVIET UNION, AND ANY SOVIET INITIATIVES TOWARD MEMBER- SHIP IN THEM SHOULD BE ACCEPTED ONLY ON CONDITION THAT USSR IS PREPARED TO CONFORM TO NORMAL RQUIREMENTS STATISFIED BY ALL OTHER MEMBERS, INCLUDING THE US, JAPANAND THE WESTERN EUROPEAN INDUSTRIALIZED COUNTRIES.

14. ASSOCIATING THE USSR IN INTERNATIONAL CONSORTIA IN THE LESS DEVELOPED WORLD OFFERS A POTENTIALLY USEFUL MEANS FOR DRAWING THE SOVIETS FURTHER INTO THE GLOBAL ECONOMIC COMMUNITY. IN INFORMAL CONVERSATIONS IN RECENT YEARS THE SOVIETS HAVE OCCASIONALLY INTRODUCED THE SUBJECT OF JOINT US-SOVIET BUSINESS PROPOSALS IN THIRD COUNTRIES. WHILE THIS CONCEPT AS THE SOVIETS DESCRIBED IT WAS TRANSPARENTLY A DEVICE FOR GAINING SOVIET ACCESS TO MARKETS HOSTILE TO THE USSR BUT OPEN TO THE U.S., SOVIET COLLABORATION IN THE FINANCING AND EXECUTION OF DEVELOPMENT PROJECTS IN THE LDC'S COULD POSSIBLY BE STRUCTURED IN A MORE DESIRABLE MANNER, INCLUDING FOR EXAMPLE: (1) A DEVELOPMENT FUND WITH MEMBERSHIP DRAWN FROM WESTERN EUROPE AND JAPAN AS WELL AS THE U.S. AND USSR; (2) AD HOC CONSORTIA OF BANKS (INCLUDING POSSIBLY THE SOVIET FOREIGN TRADE BANK OR ONE OR MORE OF THE SOVIET BANKS ESTABLISHED IN THE WEST); (3) A REVOLVING CREDIT FUND FOR DEVELOPMENT PROJECTS WITH SOVIET AS WELL AS U.S. AND PERHAPS THIRD-COUNTRY PARTICIPATION.

15. RECOGNIZING THE BENEFITS HOPEFULLY ACCRUING TO THE U.S. FROM ENCOURAGING THESE SOVIET ACTIONS IN INTERNATIONAL ECONOMIC FORA--I.E., ACHIEVING A DEGREE OF RESPONSIBILITY AND STABILITY IN SOVIET CONDUCT--THE POTENTIAL HAZARDS MUST NOT BE OVERLOOKED. INCREASED SOVIET PARTICIPATION CARRIES THE RISK OF SOVIET NON-ISSUE-ORIENTED MISCHIEF-MAKING.

16. THERE SEEMS LITTLE DOUBT THAT MOSCOW SEEKS A MORE ACTIVE ROLE IN WORLD ECONOMIC MACHINERY AND SEES MEMBERSHIP AS ANOTHER SYMBOL OF ACCEPTANCE OF ITS GLOBAL IMPORTANCE. HOWEVER, THE U.S., IN OUR VIEW, SHOULD BE WARY OF THE TERMS OF SOVIET MEMBERSHIP AND NOT MAKE SPECIAL CONCESSIONS ON MOSCOW'S BEHALF. THE SOVIETS SHOULD BE ENCOURAGED TO BEHAVE RESPONSIBLY, TO RESIST THE TEMPTATION TO EARN SHORT-TERM POLITICAL ADVANTAGE, AND TO FOCUS ON THE CONFIDENTIAL

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SPECIFIC ISSUES OF EACH FORUM.
STOESSEL

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